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Worker Says Prudential Shorted Benefits By Excluding Stock

By **Grace Elletson**

Law360 (November 14, 2024, 6:52 PM EST) -- A Microsoft employee sued Prudential Insurance in Washington federal court, claiming the company reduced his disability pay by declining to consider his stock awards when calculating his monthly earnings to figure out how much in benefits he could receive.

Mark Sisley said in the **lawsuit filed Wednesday** that Prudential Insurance Co. of America violated the Employee Retirement Income Security Act. The suit said the company failed to properly calculate Sisley's benefit pay after he became disabled when it found that his stock awards couldn't factor into his monthly earnings that served as a percentage of his benefit calculation.

"Prudential administered the claim with a conflict of interest, and the bias this created affected the claims determination," Sisley said.

While employed by Microsoft, Sisley said, he enrolled in the disability plan offered by Prudential, which acted as the claims administrator for the plan. The plan entitled him to 60% of his monthly earnings, or a maximum of \$15,000 a month, according to the complaint.

Over the course of his employment, Sisley said, he became disabled, and he filed a claim for short-term and long-term disability benefits, which was approved in August. But in September, he said, Prudential declined his request to include his stock earnings in his compensation that informs how much he would receive in disability benefits. Sisley said he appealed this finding, but that Prudential held firm to its decision.

Under the plan, monthly earnings are defined as a worker's base salary and the average commissions, bonuses and overtime pay earned per month just before an employee becomes disabled, Sisley said. This "ambiguous" definition does not include how stock awards should be factored into monthly earnings, Sisley said.

Stock awards are given to employees to incentivize good performance, Sisley said, which means that a large portion of employee earnings at Microsoft are often paid through stock awards in a performance bonus package. Sisley pointed to Ninth Circuit precedent in support of his case, which he said found that performance-based stock should be considered bonus pay when an insurance policy does not explicitly define how stock awards are factored into a worker's earnings.

Sisley said Prudential violated federal benefits law by failing to pay him the full amount of disability benefits owed to him, failing to promptly justify the basis for his claim denial and failing to properly investigate the merits of his claim.

He is seeking retroactive disability pay inclusive of his stock awards and a court order mandating that his stock awards will continue to be factored into his disability payments for as long as he remains disabled under the plan's terms.

Stacy M. Tucker, who represents Sisley, told Law360 that the Ninth Circuit has already settled the issue at hand — when a disability benefits plan includes bonuses but does not reference stock options or awards, stock should be considered a form of bonus.

"It's unfortunate that insurers are refusing to follow federal law on this issue, especially when more

and more white-collar workers receive significant portions of their income through stock awards," Tucker said.

A representative of Prudential did not immediately respond to a request for comment.

Sisley is represented by Stacy M. Tucker of Monahan Tucker Law.

Counsel information for Prudential was not yet available.

The case is Sisley v. Prudential Insurance Co. of America, case number 2:24-cv-01870, in the U.S. District Court for the Western District of Washington.

--Editing by Nick Petruncio.

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